



How to simplify portfolio optimization

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Abstract

We study portfolio optimization with 8 different optimization models and 2 heuristic models. We use all the models for two different scenarios: international diversification with stocks, and asset allocation with stocks, bonds and commodities. First we do our analysis in a global context, and then we do it for a European context. Our results show that heuristic models prove to bring more gains to individual investors than the more complex optimization models in either of the two scenarios, and that the addition of bonds and commodities in the asset allocation scenario proves to be beneficial for heuristics models.

Estudamos a otimizao de portflios recorrendo a 8 diferentes modelos de otimizao e 2 modelos heursticos. Usamos todos os modelos para dois diferentes cenrios: diversificao internacional com aes, e alocao de ativos com aes, bonds e commodities. Primeiro, efetuamos a anlise a um contexto global e depois efetuamo-la para um contexto Europeu. Os nossos resultados mostram que, independentemente do cenrio considerado, os modelos heursticos trazem mais ganhos do que os modelos de otimizao aos investidores, e que a adio de bonds e commodities no cenrio da alocao de ativos beneficia os dois modelos heursticos.